

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, D.C. 20250

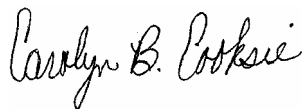
Notice FLP-398

2-FLP, 3-FLP, 1941-A,
1943-A

For: State and County Offices

Verifying Previous Debt Forgiveness for Direct and Guaranteed Loans

Approved by: Deputy Administrator, Farm Loan Programs



1 Overview

A Background

Section 648 of the Federal Agriculture Improvement and Reform Act of 1996, states that FSA may **not** provide certain assistance, if the applicant or anyone who will execute the promissory note has previously received debt forgiveness.

Note: Debt forgiveness is defined as having caused the Agency a loss on all or a portion of any direct or guaranteed loan made under the authority of the Consolidated Farm and Rural Development Act (CONACT) by debt write-down, write-off, compromise under the provisions of section 331 of CONACT, adjustment, reduction, charge-off, or discharge in bankruptcy or through any payment of a guaranteed loss claim under the same circumstances.

B Purpose

This notice provides guidance and instructions to aid County Offices in researching and verifying if an applicant has received debt forgiveness.

C Contact

State Offices shall direct questions about this notice to Connie Holman, LMD at 202-690-0595.

Disposal Date

December 1, 2006

Distribution

State Offices; State Offices relay to County Offices

2 Direct Loans

A Applicant's Self-Certification

All direct borrowers must self-certify on FSA 410-1, item 20B, that FSA has **not** forgiven any part of their debt through the following:

- write-off
- debt
- settlement
- compromise
- write-down
- charge-off
- adjustment
- bankruptcy.

B County Office Responsibility

Loan approval officials shall verify:

- the information provided by the applicant on FSA 410-1, item 20B
- that no individuals who will sign the promissory note have received previous debt forgiveness.

2 Direct Loans (Continued)

B County Office Responsibility (Continued)

Loan approval officials shall use the Current/Past Debt Inquiry System (CPDIS) in the Automated Discrepancy Processing System (ADPS) to enter the Social Security (SSN) or tax identification (Tax ID) numbers for the applicant and each individual who will sign the promissory note to verify the information provided on FSA 410-1.

IF...	THEN...
the applicant's SSN or Tax ID is not found in CPDIS	a screen print of the page will be placed in position 3 of the case file.
the applicant's SSN or Tax ID shows a previous debt in CPDIS	refer to the list of paid codes provided in Exhibit 1.
the paid code indicates debt forgiveness	<p>access ADPS online borrow detail history to determine the type, date, and amount of the debt forgiveness and whether the debt forgiveness has been paid in full. The information is not available in the summary history. History is available from 1989 to present. If the debt forgiveness was a write-down, the "Equity Recapture" Screen and online history must be accessed to determine the type, date, amount of the debt forgiveness, and if the debt forgiveness has been paid in full. If an equity record exists, the borrower online history should be reviewed for partial write-downs.</p> <p>Note: A screen print of each page will be placed in position 3 of the case file.</p>
it is determined that the applicant or any individual who will sign the promissory note has received debt forgiveness that has not been paid in full	<p>review appropriate program regulations to determine if the type and date of the debt forgiveness makes the applicant ineligible for the type of assistance requested.</p> <p>Example: Debt write-down does not automatically make an applicant ineligible for an annual operating loan; however, the same applicant would be ineligible for a term loan.</p> <p>Note: The loan approval official shall document all findings in the case file.</p>

3 Guaranteed Loans

A Applicant Certification

Applicants for guaranteed loans shall:

- address, FSA 1980-25, item 16, whether or not previously received FSA direct or guaranteed loans have been paid in full

Note: If the loans have **not** been paid in full, applicants are required to provide details in item 18.

- address, FSA 1980-28, item 15, whether previously received FSA direct or guaranteed loans have been paid in full.

Note: If the loans have **not** been paid in full, applicants are required to provide details in item 17.

B County Office Responsibility

Loan approval officials shall access guaranteed loan information through the GLS Screen, “GLSLN03, Parties Liable for GLS Loans” report.

Enter the applicant’s and all parties that will execute loan documents SSN or tax ID number and maintain the default settings for “All States,” “All Offices,” and “All Loan Types.”

Note: The “Parties Liable for GLS Loans” report will list:

- outstanding guaranteed loans
- guaranteed loans on which a loss was paid.

When verifying previous debt forgiveness, do **not** utilize the drop down boxes that provide the ability to check guaranteed records for specific States Offices and loan types. Additional detail on losses paid can be found by accessing GLS loan list by selecting “View Loan” and clicking the loan number for which losses were paid.

Notes: A screen print of each page should be placed in the case file.

GLSLN03, Parties Liable for GLS Loans, displays information for the loan’s primary borrow only. If a co-applicant’s SSN or tax ID number is entered, loan information will only be displayed if the co-applicant is currently or was the primary borrower on other guaranteed loans. Co-borrower capability was **not** available in GLS until April 2004, at which time co-borrowers were added only to active loans. Co-borrowers were not added to terminated loans (including loans where losses were paid).

Notice FLP-398

Direct Loans Fully Paid Codes

Exhibit 1

The following provides the fully paid codes for direct loans.

Code	Description
A00	Judgment – Operating Loans
A03	Judgment – Farm Ownership Loans or Recreation Loans
A07	Judgment – Soil and Water Loans
C00	Acquired Property – Operating Loans
C03	Acquired Property – Farm Ownership Loans or Recreation Loans
C07	Acquired Property – Soil and Water Loans
D00	Defalcation – Operating Loans
D03	Defalcation – Farm Ownership Loans
D07	Defalcation – Soil and Water Loans
E00	Conservation Contract – Operating Loans
E03	Conservation Contract – Farm Ownership Loans or Recreation Loans
E07	Conservation Contract – Soil and Water Loans
F05	Suspension
G00	Other Reason (Extra Payment) – Operating Loans
G04	Sale of Farm Outside Program – Farm Ownership Loans
G07	Other Reason (Extra Payment) – Soil and Water Loans and Farm Ownership Loans
H07	Refinancing – Farm Ownership Loans and Soil and Water Loans
I00	Lost Remittance – Operating Loans
I07	Lost Remittance – Farm Ownership Loans and Soil and Water Loans
M00	3M Cancellations – Operating Loans
Q00	Net Recovery Buyout/Shared Appreciation Writedown – Operating Loans
Q03	Net Recovery Buyout/Shared Appreciation Writedown – Farm Ownership Loans
Q07	Net Recovery Buyout/Shared Appreciation Writedown – Soil and Water Loans
R00	Any Other Reason (Regular Payment)
R07	Income and Any Other Reason (Regular Payment) – Farm Ownership Loans and Soil and Water Loans
R10	Paid in Full – All Loans
S00	Writeoff (Other than PL 878) – Operating Loans
S03	Writeoff – Recreation Loans
S07	Writeoff – Farm Ownership Loans and Soil and Water Loans
T04	Credit Sale Reversal
T05	Assumption Agreement – Soil and Water Loans and Recreation Loans
T05	Sale of Farm Inside Program or Assumption Agreement – Farm Ownership Loans
T15	Suspension Amortization
W00	Writeoff (PL 878)
Y01	Refinanced– Farm Ownership Loans, Operating Loans and Soil and Water Loans
Y02	Subsequent Loan (Not currently used except for reporting purposes) – Farm Ownership Loans
Y06	Refinanced with Direct FP Loan (Not currently used except for reporting purposes) – Farm Ownership Loans
Z97	Case Number Change – All Loans
Z98	Assumption Agreement, Same Rates and Terms – All Loans
Z99	Paid in Full or Returned Check